



Governor's Office of Economic Development

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State of Utah

GARY R. HERBERT
Governor

Q. VAL HALE
Executive Director

SPENCER J. COX
Lieutenant Governor

MEMORANDUM

TO: Governor's Rural Partnership Board
FROM: Lt. Governor Spencer J. Cox, Co-Chair
LOCATION: WTC Utah, Salt Lake City, UT
DATE: May 10, 2016, 9:30 p.m. – 1:00 p.m. (MST)
SUBJECT: GOVERNOR'S RURAL PARTNERHSIP BOARD MEETING MINUTES

MINUTES

In attendance: Board Members

Charlie Delorme, Travel
Steve Styler, Co-Chair
Brian Higginbotham, USU Extension
Wes Curtis, Southern Utah University
Brandy Grace, Utah Association of Counties
Carl Albrecht, Rural Utilities
Mayor Dave Sakrison, Moab City
Tim Munns, Agriculture
Mike Angus, Oil, Gas, Mining
Jason Yerka, At Large
Deborah Hatt, SEAOG
Brian Raymond, At Large
Shirlee Silversmith, Division of Indian Affairs
Michael McKee, At Large

Excused:

Lt. Gov. Spencer Cox, Co-Chair

Others:

Brian Somers
Annie Smith
Jack Forinash
Dave Conine
Don Willie
Vicki Fenton
Kelleigh Cole
Eden Johnson
Kevin Christensen
Tami Ursenbach
Scott Albrecht
Jeffery B. Jones
Scott Barney
Stephen Lefevre
John Barber
Marlin Eldrid
Sherrie Martell
Len Erickson
Irene Hansen
Stephen Lisonbee

Jake Mellor
Representative Sandall

GOED Office Staff:

Ben Hart, Managing, Director
Missy Warner, Executive Secretary
Jill Flygare, Managing, Director

GRPB Staff:

Daniel Royal, Rural Incentives Analyst
Jake Hardman, Rural Outreach Coordinator
Linda Gillmor, Director, Office of Rural Development

Conducting: Steve Styler, Co-Chair

Items Discussed

1. Steve Styler, Co-Chair, welcomed the Board

DISCUSSION: Change "Commissioner" name to Mckee. Change 18 years to 13 years. Spell Sanpete correctly. If attendees would state their name before they make a comment, it would be helpful.

MOTION: (Charlie Delorme): to approve the GRPB draft minutes from the meeting on 2-04-2016 after amendments.

SECOND: Tim Munns

a. VOTE: Unanimous

b. The motion passed and the minutes were approved.

2. World Trade Center Update: Derek Miller

We are a private, non-profit. We act as the export and promotion arm for the state of Utah. The Governor's Office of Economic Development is one of our very close partners. Our mission statement is to help Utah companies think, act, and succeed globally. Three ways we do this is: 1. *Motivate and Educate* (seminars and forums) help Utah companies consider getting into international business. 2. *Build Capacity*, this is where we sit down with Utah companies on a one-to-one basis and talk to them about their product or service and where in the world they should be focused. We do that through an intensive, data driven process. We produce a market analysis and then help them get connected. 3. *Expand Utah's Global Network*, through taking trade missions, most commonly with the Governor's Office of Economic Development, as well as welcoming foreign trade officials here to Utah. Utah gets a lot of Diplomatic visitors. Last year alone, we hosted over 30 Ambassadors and Consuls General to the state.

My message today, is that in Utah, international business is big business. In the last year alone, our exports grew from 12.3 billion to 13.3 billion. That represents an 8% increase, which in the current circumstances in the world, with a slowing global economy, with violence and terrorism around the world, and with a strong U.S. dollar which has a dampening effect on exports, an 8% increase under those circumstances for our state, is remarkable.

What I am asked most often, is what does Utah export? Roughly 1/3 of our exports come from metals, what we pull out of the ground, what comes from other states, gold, silver, copper, and other precious and primary metals. We refer to this as value-added exports. We round out the top 5 with computer and electronics, chemicals, food and agricultural products, transportation equipment, some of you may already know that the world's majority of airbags comes from a company located here in Utah. Our top export destinations are the U.K., and Hong Kong. Utah is one of only a handful of trade surplus states. Utah is not getting killed when it comes to trade Utah is killing it.

When I left the Governor's Office nearly two years ago, Governor said to me, we need to do more to help our companies off the Wasatch Front to get involved in international business. 25% of all of our companies are off the Wasatch Front, yet they only make up 1% of the state's exports. That is an imbalance that we are striving hard to correct. We hold 4 regional forums a year, if you are interested in coming to a location that I haven't mentioned please talk to me or Don Willie who leads our rural outreach effort. In addition to these forums, we also hold chamber presentations. The key to our success has been in connecting with those out in rural communities. We have a number of partners including, GOED, SBA, Salt Lake Chamber, and SBDC. In addition to those, it's critical to us to connect to the local chambers of commerce, the local economic development directors, local mayors, local county commissioners, and elected officials. We recognize that it's those people who help us get the water to the end of the row. Our most important partner is all of this is the Department of Workforce Services. It is through a grant that we receive through them, that all this is possible. We match the grant we receive from DWS with funds we raise in the private sector to be able to conduct and engage in this effort.

I will end with three stories of rural Utah companies that are doing very well in engaging in international business. 1. Von Mason lives outside Cedar City and is a local hay farmer. He bought his first alfalfa field when he was 19 years old. He has engaged in exports to China, Turkey, Dubai, Kuwait, and many other areas. By diversifying his market, it allowed him to be successful even throughout the recession. 2. The second example is a couple from Cache Valley. They have a company called Lazy One. Travis and his wife started selling comical boxer shorts in a storage shed. Because of the opportunity that they took to expand to foreign

markets, they are now in an 80,000 square foot warehouse with more than 40 employees in Cache Valley. They have 3,000 distributors nationally and internationally. 3. I will tell you the story of Rainy's Flies, also based in Cache Valley. They are a great example of diversifying your markets in order to overcome seasonal fluctuations. Fly fishing in Utah is not a year round experience, and so it is not a year round market. By exporting to Central and South America, they were able to turn their business into a year round business. Today Rainy's Flies is one of the world's largest producers of fishing flies.

All of the services we've discussed today are provided to Utah companies free of charge. We ask that the board consider providing a letter that we can use as a letter of introduction as we travel around the state. With your support we look forward to continuing to work with many Utah companies.

- a. Charlie Delorme commented: Tourism? Derek: Tourism is an 8 billion dollar industry now in the state. It has grown by about 2 billion dollars in the last 2 or 3 years. We know that a large part of that is from international visitors. Unfortunately, we know that through anecdotal data and not real data. When I go to Arches or Zions, we see a lot of visitors from China and India. That stands to reason because those are the two largest and fastest growing, middle class, consumption-based economies in the world today. We have had discussions on how to measure that, but we certainly see the importance of it. Exporting goods or services, which includes bringing tourists here, is importing money.
- b. One of the things the World Trade Center is doing right now, in partnership with the University of Utah and Kem C. Gardner Institute is doing a feasibility study on doing an inland port in Utah.
- c. Steve Styler commented: Potential? Derek: Our greatest constraint right now is not content or lack of information, it's getting connected to those small businesses and business owners. The constraint on their end is bandwidth. As most of you know, these small, typically family owned businesses have to work on the business and in the businesses every day. What we want to be able to do is as much of the work behind the scenes as we can in the market analysis and then help them make those connections as easy as possible. BEAR program is critical in this.
- d. Let's grow exports in all of our categories but let's make sure we are doing it in a way that we will have a diversified economy. As far as the world markets go, 95% of the world's customers live outside of the United States. The Lt. Governor has a great metaphor, if you were selling hot dogs at a football game and decided you were only going to sell to the Utah market, take the 60,000 people in Lavell Edwards stadium and you will only sell to half a dozen. That is what you are doing to yourself if you constrain your market that way.
- e. The inland port would mean all the consolidation and packaging and putting together would happen in Utah, and then it gets shipped out so it can go straight through the port. Right now, most of that consolidation occurs after the port. If we can create an inland port, it would logistically bring all of that here to Utah and the good would go straight out to the port.

3. Update on Intergenerational Poverty (IGP) Efforts: Stephen Lisonbee

We took the advice of this group, to reach out to the county commissioners and begin the discussion so that they could be more informed on the topic, and how we engage their community. The plan has rolled out in sequence. Discussion with the county commissioners; Setting up a time when Lt. Governor, John Pierpont, and other individuals on the state commission could join in a hosted meeting by the county commissioners; Inviting other stake holders in the community together. We've had one experience already in Kane County. It went really well and was a great turn out. We had scheduled 1 hour and it went 2 hours, there was a high level of interaction, all of the participants had examples of things that they had tried but recognized that coming together in a larger group would have made all those previous efforts successful. Derek Clayson in Kane County shared that we've never done something like this before, where we've brought all the service providers from volunteer centers and mental health agencies to education, all these players together to really begin to have a focus on the topic. The other 9 counties are lined up through May and June. Lt. Governor plans to be to all of those, he was very engaged and led out on the meeting. From that meeting, we are challenging the counties to pull together a team and work on developing a plan. We have some resources that we will be making available to these teams as they go through that process.

What is intergenerational poverty? In the state of Utah, it is approached with a data driven summary of individuals who are participating in welfare programs. It's really intergenerational poverty with welfare dependency. Example; If your children between the ages of 0-18 have been on public assistance, food stamps, Medicaid, cash assistance for 12 months during their childhood, we consider them at risk. There are 250,000 children in Utah that are currently on first time assistance. If we compound that and say that you as a child

also received assistance for 12 months, then that would be considered intergenerational welfare dependency. In Grand County, 52% of the children are at risk for living in poverty as adults or intergenerational. There is an enormous amount of data that we are getting down to the county level. Even as we are out meeting with these counties, we are still collecting data that is shaping a refined approach. The goal is to provide the data and information and a level of resource and allow what we think is the best model, a local model that helps champion all of the players at the table. We believe over the next couple of months there is going to be a lot of excitement to be able to have access to the data. Over the summer there will be plans to focus on cataloging, prioritizing a gap, and identifying on where they want to focus. I will work to have those dates shared out to the group.

- a. Tim Munns commented: Is that school lunch also? Is that figured into that survey too? Stephen: Free and reduced lunch is currently not cataloged as a program for welfare dependency, although we know there is a very high correlation between those. We did not use that as a program to show intergenerational welfare dependency.
- b. Linda Gillmor commented: I noticed on your graphs, of those that are receiving help, close to 50% don't have jobs. Stephen: 1st, we have 11,000 families that we are case managing in the state. We are taking a different approach on how we work with those families. We recognize that traditionally we've always focused on the parents and tried to develop an employment plan for the parents. We are now taking a two generational approach looking at the family. Families that are not employed, we do have an opportunity for them to receive training. As you are out in the communities, know that this is a resource. We are trying to make those tools more transparent to our partners.
- c. Tim Munns commented: Does that 11,000 families' number stay static? Stephen: It has dramatically reduced. We've been up in the 20,000's but over the last four years it has gone down.
- d. Jason Yerka commented: You define a child at risk if they had been on assistance for 12 months, is there a point after which they fall off? Stephen: We've done this for about 4 years, as individuals turn 18 they are no longer part of the youth cohort. Until they have kids they wouldn't be part of the IGP cohort.
- e. Jack Forinash commented: Are you also working on and talking about housing affordability and disability? Stephen: There are 4 areas of child well-being. Education, health, childhood development, and family economic stability. Housing is part of that housing economic stability. The housing community development division is part of department of workforce services and we are integrating their data and working with communities as they go through toolkit development procurement. We are talking about how we can incorporate IGP into those sites, because that is a transition for families to have stable housing.

Wes Curtis proposes we write a letter of support for the World Trade Center programs and work with Derek Miller to draft a letter of introduction and support that they can use as they go out to the rural parts of the state.

MOTION: Carl Albrecht

SECOND: Tim Munns

VOTE: Unanimous

4. GOED/EDCU Economic Development Planning Tool – Jake Hardman and Sherrie Martell

EDCUtah put together a rural committee under Warren Peterson. GOED and several other counties have come together, and our goal is to give rural counties and cities a tool that you can use to do economic development. We've taken information from EDCUtah, GOED, cities and counties to give this document legs in order to give you an evaluation and strategic plan. Morgan County has completed it and Carbon County is in the middle. We got started to help rural counties become better at recruiting.

At the very top of the pyramid we have created is business recruitment, below that is existing business development, entrepreneur development, quality of life, workforce development, infrastructure, and at the very bottom, foundation. The foundation is leadership, civic development, and public policy. It's basically the business culture in your county or community. Economic development 101 is building a community that can grow and support businesses. You have 3 choices in an underdeveloped economy. 1. You can leave and find a better job elsewhere, 2. You can remain loyal and accept the status quo, and 3. You can lead and have a voice and make something happen. We need more voices in rural Utah that can lead and not accept the status quo.

Without leadership, nothing else matters. Not just elected leadership, but business leaders, community leaders, and religious leaders. You need an economic development director with adequate time, budget and

leadership skills.

- Quality of Life
- Quality of Place
- Workforce Development
- Skill Development
- Solid Education
- Infrastructure
- Expanding and retaining the businesses you already have
- Entrepreneur Development
- Business Recruitment
- Tax Increment Financing
- Implementation Plan

We've come up with a fillable PDF. You can go through each bullet point and answer the questions from my PowerPoint. Rate yourself, rate your community. Beaver County is getting 6-8 experts from the community working on this and they will be tasked with doing these things. We want to keep our consultants in the loop because they are the experts and can be the ones to make things happen. You should continually be taking the spreadsheet and updating it and making sure things are moving along.

5. Legislative Update: Steve Styler

I will give you a list of legislative bills and you can look them up and see how they will impact you.

HB 53- Directed at the Business Resource Center

HB 52 – Office of Outdoor Recreation amendments. That passed with an additional 1.1 million one time for the Waypoint grants.

HB 31 – Enterprise Zone Amendments

SB 192 –

HB 341 – Inter-local Cooperation Act Amendments

SB 246 – CIB Infrastructure Funding Mechanisms

SB 102 – High Cost Infrastructure Tax Credit

- a. Commissioner McKee commented: On the last bill you mentioned, we are working on a project right now that this will have a tremendous effect on. It does make a difference.
- b. Marlin Eldrid commented: SB 151 they did a reconsolidation breaking them into CRA's. There is now a 10% set-aside on all projects going into assistance funds.

6. Tax Credits for Rural Non-profits: Representative Scott Sandall

HB 31, worked on Enterprise Zones Tax Credit, we had built that tax credit up to about a 14 million dollar credit annually all reported on one line of tax code. We lumped in our business component with the 501c3 component and there was no oversight or way to peel those apart. There was no way to tell how much was coming from one side. Enterprise Zone tax credits beginning in 1988 were business oriented, intended to be post performance, and geographically bounded. Later on in legislation, in the 90's the 501c3 component was added in, which is neither post performance or geographically bounded but still reported on the same line of tax code.

GOED is currently working on a portal for vouchers to be issued to businesses in post-performance situations, for jobs, buildings, and equipment in enterprise zones. We are trying to find a way to put the 501c3 component back in. We are trying to figure out a way to vet a 501c3 and make sure the dollars stay in a geographically bounded area and vet a way so that the donor receives some kind of a voucher that goes in with the submission of the tax credit.

At the end of the day, I think there are two courses. One is to trying to come up with a parameter, and we ask GOED to vet the 501c3 and we tie that to how the donations are made. Legislatively that is going to be a pretty tight box. The second option is to continue to have this board be the vetting agency and to have the 501c3 come in and present the program of work, and this board approves or disapproves. We still have to track the donation coming in to the 501c3 to make sure the appropriate ones are then incented.

- a. Wes Curtis commented: I just wanted to add one more piece to the background. I was in economic development and helped pass the enterprise zone bill initially. Back in that point of time, we did not have more than a handful of rural counties that had an economic development director or office. That line about donations that was put on initially is now being used for a lot of other things. The

key is to define, to get a really tight box on what is eligible and what is not.

- b. Steve Styler commented: If any of you recall the last line that Wes just referred to, it essentially allowed these tax credits to be available to 501c3's to the donors of donations to the community and economic development purposes. We have talked about, what does community and economic purposes mean? What is the status on those that we have approved? All of those entities that we had formally provided approval to back off that list because there is no longer a tax credit to be gained by making a donation to those groups. We need to look again at the issue and allow a reapplication process within those tighter parameters.
- c. Ben Hart commented: During the last legislative session tax credits really came under fire. There were a lot of questions around what tax credits were appropriate. Several people asked the question, instead of doing tax credits, why can't we do a set-aside every year and have people come in and apply for that funding?
- d. Representative Scott Sandall commented: When you file your state taxes, you do not include deductions. When we incent from the state of Utah, we have tax credits and programs that have tax credits. The deductions are all on a federal level. There is a bill that was proposed to evaluate every one of those programs, and expose every one of them to a test.
- e. Would this board be comfortable in having projects from a 501c3 and then you'll be the approval process? If we write it that way, the box doesn't have to be quite as tight. Wes Curtis: I think that is an excellent idea. Steve Styler: Please let this board know the dates, and we will be active participants in this.
- f. Jeff Jones from Summit County makes a recommendation that the project based approach is tailored to the categories that Jake Hardman presented on.

7. Other Business: Ben Hart

Tom Adams could not be here today, he is the director of Outdoor Recreation. He asked me to mention a few things about the Waypoint Grant. The Moab Lines Park, The Monticello, and the Discovery Center. HB 52, one time, one million to the Waypoint Grant. \$100,000 is set aside specifically for youth programs. Tom is working diligently to get this grant ready. He is doing three regional summits: September 1st, in Ogden, September 2nd in Cedar City, and October 4th, in Moab.

8. Rural T.V.: Carl Albrecht

9. MOTION TO ADJORN: Wes Curtis

SECOND: Charlie Delorme

VOTE: Unanimous.